

FINAL BILL REPORT

HB 1321

C 23 L 05

Synopsis as Enacted

Brief Description: Allowing members of the teachers' retirement system plan 1 who are employed less than full time as psychologists, social workers, nurses, physical therapists, occupational therapists, or speech language pathologists or audiologists to annualize their salaries when calculating their average final compensation.

Sponsors: By Representatives Fromhold, Conway, Crouse, Simpson, Morrell, Upthegrove, Linville, Kenney and McDermott; by request of Select Committee on Pension Policy.

House Committee on Appropriations
Senate Committee on Ways & Means

Background:

The Teachers' Retirement System Plan 1 (TRS 1) permits members who work less than full-time as classroom instructors, librarians, or counselors to annualize their salaries upon retirement so as to receive benefits in proportion with the amount of a full-time position that they work. The TRS 1 members who work as Certified Educational Staff Associates (ESAs) in other positions such as psychologists, social workers, nurses, physical therapists, occupational therapists, speech pathologists, and audiologists are not permitted to annualize their salaries.

At retirement, a TRS 1 member receives 2 percent of average final compensation for each year of service credit earned. Average final compensation in TRS 1 is based on a retiring member's two highest compensated consecutive school years.

Without the ability to annualize salary, a part-time member of TRS 1 could receive a benefit based both upon a part-time salary, and on less than a full year of service for each school year worked. For example, a half-time ESA nurse earning both half the service credit and half the salary of a full-time ESA would receive one quarter of the retirement allowance of the full-time ESA.

Illustration of the effect of annualizing salary for part-time Educational Service Associates (ESAs)

	Full-time ESA	Half-time counselor (can annualize)	Half-time nurse (cannot annualize)
Salary	\$50,000	\$25,000	\$25,000

Annual Contributions	\$3,000	\$1,500	\$1,500
Retirement Benefit	\$30,000	\$15,000	\$7,500

The State Actuary estimates that 30 out of a total of 11,175 active members of TRS are TRS Plan 1 part-time ESAs not currently permitted to annualize their salary when calculating average final compensation.

Summary:

The list of TRS 1 part-time Educational Service Associates who earn less than a full year of service credit each year that are permitted to annualize salaries in computing average final compensation is expanded to include psychologists, social workers, nurses, physical therapists, occupational therapists, speech language pathologists, and audiologists.

Votes on Final Passage:

House 95 0
Senate 41 0

Effective: July 24, 2005